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V.—FINANCIAL BUSINESS.

(1) PRESENTATION OF THE SECOND SUPPLEMENTARY STATEMENT OF EXPENDITURE FOR 1965-66.

THE HON. SRI R. VENKATARAMAN : Mr. Chairman, Sir, I rise to present the Second Supplementary Estate for the year 1965-66. A detailed statement explaining the demands under different grants is placed on the table of the House. The total Supplementary Demand is for a sum of about Rs. 7.45 crores, of which Rs. 2.31 crores will be on Revenue Account and Rs. 5.14 crores on Capital and Loan Accounts. The Supplementary Estimates now being presented to the Legislature, relate mainly to expenditure on schemes which come within the definition of "New Service Scheme", according to the criteria laid down by the Public Accounts Committee. The Supplementary Estimates, besides seeking to provide as usual for larger outlays on Plan programmes, bear also the imprint of the new situation arising from Indo-Pakistan conflict.

2. The additional commitments of a direct nature arising from the present emergency are not large, as the responsibility for defence is that of the Central Government. The Supplementary Estimates merely provide for some small additional expenditure concerned with the strengthening of Home Guards and contributions to the Jammu and Kashmir Relief Fund and Jawan's Relief Fund. But the State Government have to take note of and provide to the extent possible for the indirect commitments arising from the National Emergency. The National Emergency and interruption of foreign aid have highlighted in a poignant manner, the need for augmenting agricultural production within the shorest time possible. It is the primary responsibility of the tate Government to pursue this important objective and thus the State Governent to pursue this important objective and thus assist in strengthening the defence potential of the country. We have initiated action for accelerating. Minor Irrigation Programmes and, in particular, programmes for sinking of wells and energisation of pump sets. The gathering tempo of execution of these vital programmes is fully reflected in the Supplementary Estimates before the House.

3. The Indo-Paksistan conflict and the adverse turn in prospects of foreign aid for our programmes of defence and development have indirectly affected the State seriously. In view of increased expenditure on defence, and shortfall in Budgetary receipts, corresponding to the flow of foreign assistance, the resources available with the Centre for financing the programmes of development embodied in State Plans have registered a sharp decline. A cut in Central assistance for State Plans in next year has become inevitable, and we have got to reconcile ourselves to this cut at least for some time to come. In the fact of this cut,

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the Government had to examine carefully whether the shortfall in Central assistance should be made good in some measure by mobilisation of additional resources or whether the developmental programmes should be pruned drastically, thereby causing a serious set-back in the tempo of development built up during the Third Five-year plan period. We have no doubt to readjust the order of priorities of programmes in the plan in the light of the new situation. Programmes relating to agricultural production should receive the highest priority, and there should be no hold up in their execution on account of financial constraints. Programmes involving use of scarce materials on a large scale or with large foreign exchange component may have to be rephased; but even among such schemes, there are a few such as for example the establishment of Thermal Station at Ennore or continuous casting mill at Arkonam in respect of which foreign aid is available. We have therefore to make the necessary internal resources available for implementing such programmes, which will also incidentally strengthen the economy of the State. The House will also realise that most of the programmes in the State Plan relating to Social Services such as Education, Rural Water-supply, Welfare of Backward Classes, establishment of Primary Health Centres do not involve foreign exchange or even the use of scarce materials to any significant extent. Government have felt that it will be highly regrettable if these programmes, which are so closely linked with the welfare of the poorer sections of our society, are allowed to be slowed down only for want of rupee resources. That is why the Government have come forward with certain proposals for mobilisation of additional resources.

4. These proposals relate to adjustments in rates of tax on consumption of power, upward adjustments in rates of sales tax including, in particular, the rates of the sales tax on petrol and diesel and the levy of an emergency surcharge of 25 per cent on land revenue and water rates. These measures calculated to bring in about Rs. 8.1 crores in a full year, will ease in some measure the acute strain on State finances arising from the present emergency and will enable us to make a reasonable provision for welfare programmes. Government are aware that these proposals call for a measure of additional contribution from the people, but they
3-40 p.m. have taken care to see that the burdens which the people are called upon to bear are well within their ability to pay.

5. Taking for example, the proposal to increase the rates of tax on consumption of power, the House will notice that we have specifically excluded the ordinary domestic consumers who are already paying inclusive of tax at about 38 Paise per unit. In fixing the rates for different categories of industries, we have made sure that the proposed increases do not have any significant impact on cost of production. I would like to point out that cost of energy constitutes a very small portion of the total cost of production in many large-scale industries. Data compiled by the

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Planning Commission show that in respect of cotton textile industry, for instance, cost of electricity constitutes only 1.6 per cent of the total cost of production. The increase of 10 per cent in the tax on consumption now proposed will thus entail an increase in cost of production of only 0.16 per cent, which can be absorbed by the industry. As regards aluminium industry at the other extreme, the cost of electricity accounts for about 16.7 per cent of the total cost of production and the rate of increase now proposed is therefore only 5 per cent. Even with this increase, there will be a rise in cost of production of only 0.83 per cent, which again is not too large. We have also specially provided for the exemption of new industries for a period of three years. The increase of 10 per cent in tax on power utilised for agricultural purposes will mean an increase of only of 0.82 paise per unit, which the agriculturists should not grudge paying in the present acute phase of the emergency.

6. In respect of increase in rates of sales tax too, the House will notice that we have taken special care to exclude the large number of small dealers with turnover of up to Rs. 50,000. They will continue to pay at the existing rates of composition and will thus not feel the impact of the enhancement now proposed. The exclusion of foodgrains from the purview of current enhancement is also intended to ensure that there is no impact on one of the major components of the cost of living index of the common man.

7. The emergency surcharge on land revenue and water rates should be appreciated against the background of the present tension on our borders and the need to ensure a small measure of contribution from all sections of the people to the fulfilment of a defence oriented Plan. The State Government stand committed to stepping up outlays on programmes such as Minor Irrigation and Rural Electrification, which will serve to step up agricultural productivity. Many of the Social Service Programmes such as those relating to Elementary and Secondary Education and Rural Water-supply, will also benefit predominantly the rural areas. In this hour of serious threat to our freedom and our way of life, our agriculturists, whose sense of patriotism and devotion to Motherland are well-known, should not grudge making a small contribution towards programmes calculated to strengthen the economy of the country and thereby enable it to face the challenge posed by the aggressor with confidence.

8. With these words, I commend the Second Supplementary Estimates for the acceptance of this House.

(2) PRESENTATION OF THE STATEMENT OF DEMANDS FOR GRANTS FOR EXCESS EXPENDITURE IN 1962-63.

THE HON. SRI R. VENKATARAMAN : Mr. Chairman, Sir, I rise to present the Statement of Demands for excess expenditure relating to the year 1962-63, covering cases where, under certain grants, the actual expenditure was found to be in excess of the final sanctioned appropriation for that year.